

Problems Affecting the Growth of Small and Medium Enterprises (SMEs) in Chittoor District of Rayalaseema Region, Andhra Pradesh

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Abstract

The Micro, Small and Medium Enterprise (MSME) sector has been accorded much priority for generating more employment opportunities and thereby increasing the income for bringing in development of the economy. It contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of the value, the sector accounts for about 45 percent of the domestic manufacturing output and nearly 50 percent of the total exports of our country. The sector is estimated to employ about 69 million people in over 26 million units throughout the country and 45 percent of industrial employment. There are more than 6000 products ranging from traditional to high tech products which are being manufactured by MSMEs. Even though the government provides various schemes to fostering and sustaining in terms of commercial, financial, technical and marketing of the small firms, they are facing the problems. The present endeavour is an attempt to study the Small and Medium Enterprises and their problems. These units are playing a key role in the grass root economy in the study region. Both primary data and secondary data have been compiled from the different sources. Different statistical methods have been employed for analysis.

Keyword: Employment, Exports, Income Generation, Problems

Introduction

Despite its relevance, the MSME sector has for long faced various obstacles to growth. In recognition of these

difficulties and succumbing to a long sustained lobbying, the Government of India passed the MSME Development Act of 2006 which brought about major changes in this sector. The basic achievement was a clear and decisive definition of units that fall under micro, small and medium enterprise category. The definitions are based on total investment in plant and machinery for manufacturing units and investment in equipments for service units. The new definitions have expanded the plant and machinery limits and now each enterprise level includes larger investments than before. There are also allowances for smaller investments in service enterprises.

In the Indian context, micro, small and medium enterprises as per the MSME Development Act, 2006 are defined based on their investment in plant and machinery for manufacturing enterprises and on equipment for enterprises providing or rendering services. According to the Micro, Small and Medium Enterprises (MSME) Development Act, 2006a microenterprise is where the investment in plant and machinery does not exceed Rs. 25 lakh. A medium enterprise is where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore. A small enterprise is where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore. In case of enterprises engaged in providing or rendering of services, (a) Micro enterprise is where the investment in equipment does not exceed Rs. 10 lakh; (b) Small enterprise is where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; (c) Medium enterprise is where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

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Statement of the Problem

MSMEs have been given much priority in adopting modern technology and utilising the entrepreneurial talent for absorbing the labour force in gainful employment so as to raise the productivity and income levels. It facilitates the dispersal of industries, utilisation of local resources and factor endowments available in the area/ region. In view of the labour intensity and favourable capital-output ratio, the development of MSMEs also facilitates the overall process of development. Inadequate supply of entrepreneurs, lack of access to modern technology and extension of credit, non-availability of raw materials, deficiency of demand, smallness of the size of the market and inadequate infrastructural facilities are the constraints in the promotion of the development of small industry. Despite this, the development of small industry has been accorded priority in the plans to accelerate the process of development. In this study an attempt is made to examine the problems of MSMEs, particularly with reference to Chittoor District in Rayalaseema Region.

Review of Literature

Several studies on the MSMEs covering the various aspects of the small scale industrial units have been made by researchers at different points of time.

Hashim, S. R. (1988) analysing, the nature of small scale industry and its development role has indicated that the modern technology-based small scale industry sector has a significant role to play in sustaining the process of development. Nuruddin Chowdhury A. H. M. (1990) analysing the growth of the small scale industries in the developing countries in Asia has observed that the pursuit of the promotional policies for the development of the small scale industries facilitates the increase of more output and employment. Sandesara, J. C. (1988) analysing the process of the small scale industrialisation has indicated that the modern small scale industry located in medium sized towns significantly increases the employment opportunities and thereby raises the income levels. He has also suggested that the strengthening of the institutional frame work is necessary for the promotion of the small scale industries in the country. Lewis, W.A. (1954) has recommended the pursuit of the employment - oriented growth models particularly in the developing economies. Myrdal, G. (1968) has suggested the adoption of the strategies that mostly utilise the labour

intensive techniques for creating the capital and that of the production in the developing economies. Tayeh, WU. (1968) has also recommended the promotion of the small scale industries in the economies having large scale unemployment, for increasing the employment potential. The Bhat Committee has recommended the infrastructure development, and the increase of raw materials supplies, extension of tax concessions and subsidies and the rigorous implementation of the small enterprises promotional measures at the state level, for facilitating the development of the small entrepreneurs so as to sustain the development of small industry. Joanne Salop and Michael Watson (1992) have stressed the implementation of production oriented small scale industrial projects, for alleviating poverty and to ensure sustainable growth in the developing economies.

Bhat, V. V. (1986) has emphasized that the development of the small industry depends on the promotion of the entrepreneurial talents and skills and suggested the strengthening of the entrepreneurial development programmes, for promoting the entrepreneurial quality. Gadewar A.U. (2000) has observed that entrepreneurship is an important factor in the development of small scale industries and has suggested that the proper evaluation of the projects are required, for promoting the development of the small scale industries. Katar Singh (1986) has stressed the development of small scale industrial units for increasing the employment and output, and to foster the development of backward areas/regions. Ramaswamy (1994) has advocated that the industrial estates has promoted the development of small scale industries, contributing to the generation of employment opportunities, and the impact of small scale industries on the area development is significant. Sindhu Hina (1998) has indicated that the employment generation in small scale industrial sector in Gujarat, has been commensurate over a period of time. Shah Dhevan Meyanathan *et al.* (1994) have analysed that the small scale industries development facilitates inter-firm linkages. They have suggested that four clusters of factors contribute for the successful management of sub-contracting, namely understanding of the push factors, re-examination of the development policies of the small scale industries, incentives for technological up gradation, and the establishment of credible institutions.

Ojha, P.D. (1989) analysing the aspects of financing of the small scale industries has suggested that the provision

of finances for the small scale industrial units has to be increased and the extension of support services has to be provided, for augmenting the development of the small scale industries. Rajendran (1999) analysing the various kinds of assistance given by the institutions, has stressed that the institutional assistance has to be provided adequately for the development of small scale industries. Balasubramanya (2000) has stressed that the financial requirements for modernising small scale industries has been increasing rapidly, for increasing the output of the small scale industries to meet the growing demand, and thereby contribute to the increase of employment significantly. Rangarajan (1999) indicating the growing importance of the contributions of small scale industries in the Indian economy, has emphasised the need for strengthening small scale industries by augmenting the capital base, accelerating the flow of credit, and adopting the up gradation of technology, and increasing marketing opportunities. Kamble (2000) has stressed that the appropriate measures have to be taken for promoting the growth of small scale industrial sector.

Nirmal Ganguly (1988) analysing the problems and prospects of the small scale industries, indicated that the development of the small scale industrial units has been constrained by the inadequate supplies of raw material, finance and marketing facilities, and emphasized that these facilities have to be improved for promoting the development of small industry. Prasad, C.S. (1991) analysing the problems faced by the small scale industrial units, has suggested that the increase of the provision of raw materials and the supplies of other inputs facilitates the growth of the small scale industrial units. Biswajit Nag (2000) has suggested that the exploitation of marketing opportunities has to be pursued through the brand development, while adopting better technologies for achieving fuller utilisation of resources, so as to sustain the development of small scale industries under the scenario of WTO regime. Upadhyay (1998) analyzing the role of Small Scale Industries in the Indian Economy under the arena of liberalisation, has stressed the prominence of management function, for the successful running of the small scale industries while adopting technological upgradation.

Though these studies have covered the several aspects of the development of the small scale industries, there are no specific studies on the problems of small and medium enterprises in Chittoor district of Andhra Pradesh and

particularly with reference to Rayalaseema Region. Hence, an attempt is made in this study to examine the problems of small and medium enterprises in Chittoor district.

Objectives of the Study

The specific objectives of this study are

1. To study the need for promoting the small industry and its role in development;
2. To examine the problems of small and medium enterprises in Chittoor district.

Data Collection

Primary and secondary data have been used in this study for carrying out the analysis in conformity with the objectives of the study to draw the inferences. Secondary data have been collected from various publications of Government of India, and Government of Andhra Pradesh, Ministry of Industry, Ministry of Finance, Planning Commission, Ministry of Small Scale Industries, Development Commissioner for Small Scale Industries, Reserve Bank of India, National Institute for Entrepreneurship and Small Business Development, Central Statistical Organisation, Bureau of Economics and Statistics, Commissionerate of Industries, Hyderabad and District Industries Centre, Chittoor. Primary data have been collected for making an in-depth study by canvassing through a well-designed schedule from the entrepreneurs of the selected sample of the Small and Medium Enterprises in Chittoor district of Rayalaseema region.

Sample Design

The technical aspects of the sample design used in this study are presented in the following. The Rayalaseema region comprises the four districts and they are Ananthapur, Chittoor, Kadapa and Kurnool. Out of these four districts one district, Chittoor have been selected at random for the study. Of the total small scale industrial units engaged in manufacturing (1160) in Chittoor district, a sample of 232 small scale industrial units (accounting for 20 percent of the total) has been chosen considering the various categories using the stratified random sampling. These sample small scale industrial units are located in three revenue divisions of Chittoor

district. The sample units are functioning presently and have been established prior to 2006. Data and requisite information have been collected using a well-designed questionnaire/ schedule from the entrepreneurs of these small and medium enterprises in Chittoor district. Data collection has been done by conducting a direct face to face interview with the entrepreneurs of these small scale industrial units in Chittoor district of Rayalaseema region. The data have been processed and tables are prepared to suit the inference.

Table 1: Sample Design

S.No	Category	Chittoor
1	Agro	270(54)
2	Forest	128 (26)
3	Textile	36 (7)
4	Mineral	142 (28)
5	Engineering	215 (43)
6	Animal Husbandry	47 (9)
7	Chemical	84 (17)
8	Other	238(48)
	Total	1160(232)

Note: Figures in brackets are sample units.

Tools of Analysis

The data have been processed in conformity with the objectives of the study. Simple averages and percentages have been used in this study for carrying out the analysis of the data.

Limitations of the Study

The study is based on the primary and secondary data. The primary data are collected from the selected sample of small and medium enterprises in Chittoor district of Rayalaseema region. The study is a micro level study. As such the conclusions arrived in this study may not be exactly similar with respect to the small and medium units in other areas due to the variations in the socio-economic conditions and other factors. The data base of the study pertains to the period 2006-2013. The study mainly focuses on the problems of small and medium enterprises in Chittoor district of Rayalaseema region.

Data Analysis

The small industry development has been constrained by the raw material, financial, labour, marketing, management and infrastructural problems faced by the entrepreneurs and these problems have been acting as the limiting factor in increasing the efficiency of the small and medium scale industrial units.

Table 2: Raw Material Problems Faced by The Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Raw material problems	Total Sample Units
1	AGRO	15 (22.22)	68
2	FOREST	6 (28.21)	20
3	TEXTILE	5 (55.56)	9
4	MINERAL	11 (37.29)	31
5	ENGINEERING	16 (39.74)	39
6	ANIMAL HUSBANDRY	5 (58.82)	8
7	CHEMICAL	6 (48.00)	12
8	OTHER	22 (50.00)	45
	TOTAL	86 (37.09)	232

Source: Field Survey Data

Note: Figures in brackets are percentages.

Table 3: Financial Problems Faced by the Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Financial problems	Total Sample Units
1	AGRO	27 (40.00)	68
2	FOREST	9 (43.59)	20
3	TEXTILE	4 (38.89)	9
4	MINERAL	8 (27.12)	31
5	ENGINEERING	15 (37.18)	39
6	ANIMAL HUSBANDRY	4 (52.94)	8
7	CHEMICAL	5 (40.00)	12
8	OTHER	28 (62.22)	45
	TOTAL	100 (42.95)	232

Table 4: Labour Problems Faced by the Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Labour problems	Total
			Sample Units
1	AGRO	36 (52.59)	68
2	FOREST	9 (46.15)	20
3	TEXTILE	5 (50.00)	9
4	MINERAL	14 (44.07)	31
5	ENGINEERING	11 (28.21)	39
6	ANIMAL HUSBANDRY	4 (52.94)	8
7	CHEMICAL	6 (52.00)	12
8	OTHER	25 (55.56)	45
	TOTAL	110 (47.29)	232

Table 5: Marketing Problems Faced by the Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Marketing problems	Total
			Sample Units
1	AGRO	33 (48.89)	68
2	FOREST	9 (46.15)	20
3	TEXTILE	5 (61.11)	9
4	MINERAL	14 (44.07)	31
5	ENGINEERING	20 (52.56)	39
6	ANIMAL HUSBANDRY	6 (76.47)	8
7	CHEMICAL	8 (68.00)	12
8	OTHER	34 (75.56)	45
	TOTAL	131 (56.40)	232

Table 6: Management Problems Faced by the Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Management problems	Total
			Sample Units
1	AGRO	14 (20.00)	68
2	FOREST	6 (30.77)	20
3	TEXTILE	3 (33.33)	9
4	MINERAL	8 (25.42)	31
5	ENGINEERING	10 (26.92)	39
6	ANIMAL HUSBANDRY	2 (29.41)	8
7	CHEMICAL	5 (44.00)	12
8	OTHER	18 (38.89)	45
	TOTAL	66 (28.63)	232

Table 7: Infrastructural Problems Faced by the Entrepreneurs of the Small and Medium Enterprises in Rayalaseema Region

S. No.	Category	Infrastructural problems	Total
			Sample Units
1	AGRO	22 (31.85)	68
2	FOREST	9 (43.59)	20
3	TEXTILE	5 (50.00)	9
4	MINERAL	9 (28.81)	31
5	ENGINEERING	15 (39.74)	39
6	ANIMAL HUSBANDRY	5 (58.82)	8
7	CHEMICAL	6 (52.00)	12
8	OTHER	23 (50.00)	45
	TOTAL	93 (40.13)	232

The problems faced by the entrepreneurs of the small and medium enterprises in Chittoor district are shown in Tables 2 to 7. Of the total small and medium industrial units in Rayalaseema region (the study area), 37.09 percent of the entrepreneurs of these small and medium scale industrial units face raw material problems, 42.95 percent face financial problems, 47.29 percent face labour problems, 56.40 percent face marketing problems, 28.63 percent face management problems, while 40.13 percent of the entrepreneurs of these small and medium industrial units face infrastructural problems. The raw material problems (22.22 to 58.82 percent), financial problems (27.12 to 62.22 percent), labour problems (28.21 to 55.56 percent), marketing problems (44.07 to 76.47 percent), management problems (20.00 to 44.00 percent), and infrastructural problems (28.81 to 58.82 percent) faced by the entrepreneurs of the different categories of the small and medium industrial units in Chittoor district of Rayalaseema region have varied considerably.

Conclusions

The entrepreneurs of the small scale industrial units in Rayalaseema region (the study area) are facing the problems of the higher cost, inadequacy and poor quality of the raw material, higher cost of getting finances for meeting the capital requirements, and shortage of the working capital, higher cost of labour and inadequacy of required skilled labour, higher cost of marketing of the products with inadequate facilities, inadequacy of management expertise, higher cost of management and the increasing cost along with the inadequacy of

the infrastructural facilities. The conduct of training programmes for increasing the efficiency of labour through the strengthening of the technical institutions, the increase of the supply of equipment and tools, the strengthening of marketing facilities through the adoption of sales promotion techniques and the conduct of market research, the conduct of entrepreneurial development programmes for increasing the supply of entrepreneurs and the effective implementation of these measures through coordination of the developmental and promotional agencies have to be adopted for improving the efficiency of the functioning of the small scale industries to sustain the development.

These problems have been constraining the possibilities for increasing the level of efficiency further of the small scale industrial units in the study area. To overcome the problems faced by the entrepreneurs of these small scale industrial units in the study area, efforts have to be made, to increase the supply of the raw materials in adequate quantities at reasonable prices on a continuous basis by maintaining the quality, by augmenting the flow of the finance for meeting the working capital requirements through the commercial banks and the promotional agencies at concessional rates of interest, to increase supplies of tools and requisite equipment for raising the efficiency of the labour, by providing the marketing facilities with the provision of the incentives for widening the market for strengthening the entrepreneurial abilities and skill of the entrepreneurs for managing the small industry efficiently ensuring the viability of the units, and to increase power supplies in adequate quantities continuously with reasonable tariffs and augment the transportation, communication and other infrastructural facilities further for achieving rapid studies in the sustenance of the development of the small industry in the study area.

The MSMEs development has been given priority for generating more employment opportunities and thereby increase the income generation for bringing a transition in the development of the economy. It has also been pursued for promoting the entrepreneurial talents and skills, and to utilise the resources and factor endowments to accelerate the process of industrialisation in a development economy so as to increase the volume of output to meet the requirements of the people for improving the quality of life. The pursuit of economic liberalisation and that of the

industrial policy reforms, envisages the development of the small industry further by increasing the technological capabilities and competitiveness. Institutional agencies have been set up for providing technical, infrastructure, financial and other services, and promotional measures. While providing the fiscal and financial concessions subsidies and reservation of the products and priority in credit allocation, raising of investment limits and equity participation and that of technological upgradation have been adopted for the development of the small industry. The promotion of the small industry and the sustenance of development are closely related.

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